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TECHNICAL ACCOUNTING STAFF
REPORT ON REVIEW OF ACCOUNTING
RECORDS AND PROCEDURES IN THE
CHARITIES UNIT, OFFICE OF PERSONNEL

1. Records Review

a. Description of Existant Records

- (1) As of the beginning of our review the records consisted of a cash blotter for each charity drive conducted, i.e., U.G.F., P.H.A.S., etc., a cash journal which summarized cash data from the various cash blotters, a subsidiary ledger by Agency component containing cash and statistical data, and a general ledger.
- (2) The system developed basic accountability for cash received, and, for U.G.F. rather elaborate statistical data to facilitate preparation of campaign reports.

b. Explanation of Revision

(1) Cash Blotters and Component Subsidiary Ledger

- (a) Changes in the types of charities administered since the accounting system was installed in 1967, had confused the titles used to identify various columns in the cash blotter and component subsidiary ledger. Identical statistical data from keynes's reports were being entered in these two records.

(b) Revision

The cash blotter was redesigned to provide basic cash data only. The component subsidiary ledger was redesigned to provide detailed posting, by components, of entries to the cash blotter as well as statistical data for campaign progress reports. Since the statistical data were more voluminous than the cash data, we eliminated much duplicate posting by restricting statistical postings to the component subsidiary record.

(2) General Ledger

- (a) The general ledger accounts consisted of

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an asset account for cash in bank, and liability accounts for cash collected on behalf of various charities.

(b) Revision

As pledges are the primary stock in trade, it seemed that basic accountability should be in terms of pledges rather than cash collections. General ledger accounts were established as follows:

ASSETS

Cash on Hand and In Bank

Pledges Due from Employees - U.G.F. (or other charity if pledges involved)

LIABILITIES

Due to U.G.F. (or other charities)

Examples of entries to the accounts follow:

1. U.G.F. pledges are received from keymen:

Debit: Pledges Due from Employees - U.G.F.

Credit: Due to U.G.F.

2. Cash is received on U.G.F. pledges:

Debit: Cash on Hand and In Bank

Credit: Pledges Due from Employees - U.G.F.

3. Check is written to U.G.F.:

Debit: Due to U.G.F.

Credit: Cash on Hand and In Bank

4. Cash is received for P.S.A.S.:

Debit: Cash on Hand and In Bank

Credit: Due to P.S.A.S.

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5. Check is written to P.S.A.S.

Debit: Due to P.S.A.S.

Credit: Cash on Hand and In Bank

6. Uncollectible U.G.F. pledges are written off:

Debit: Due to U.G.F.

Credit: Pledges Due from Employees - U.G.F.

(3) Cash Journal

(a) The cash journal referred to in paragraph 1a(1) was posted daily with cash receipt totals from the various cash blotters. Cash totals thus accumulated in the cash journal were transferred to the general ledger cash account only when a deposit was made to the bank. Undeposited cash on hand, therefore, was never entered in the general ledger.

(b) Revision

The use of the cash journal as a summarizing intermediate record seemed unnecessary as no more than two cash blotters are active at one time. In use it thwarted the function of the general ledger as the final picture of total assets and liabilities. The cash account in the general ledger was expanded to include cash on hand and in bank, and the cash journal was discarded. Postings are now made directly from cash blotters to the general ledger.

(c) Current Status of Records

After making the revisions explained above, the trial balance as of 30 September 1960 was entered in the general ledger. All books were posted up to date and a trial balance taken. As of 31 October 1960, all records were in balance and the system was functioning satisfactorily.

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2. Review of Cash Receipts Procedures

Internal cash handling procedures were reviewed and seemed sound and appropriate to the operations of the Unit, except as specifically noted hereinafter. Procedures are recited here so that they may be available for future information.

a. United Givers Fund

- (1) Cash is transmitted to the Charities Unit from component chairmen in manila envelopes on which is noted cash and statistical data. Envelopes are most often hand-carried to the Charities Unit. In addition to cash, the envelopes contain reports from component keymen.
- (2) Cash contained in each envelope is counted by a designated employee in the Unit, and checked to the data noted on the envelope and on individual keymen's reports contained in the envelope. Cash and statistical data are immediately entered in the U.G.F. cash blotter and the component subsidiary record. A pre-numbered cash receipt is prepared for each keyman's report and signed by the person counting funds. The original of the cash receipt is mailed to the keyman. The first carbon copy is attached to the keyman's report. The second carbon copy remains intact in the receipt book.
- (3) Funds, envelopes and reports are then passed to the cash custodian, who performs an independent cash count and re-checks statistical data. At the end of the day the cash custodian checks the total funds he has received that day against the total for the day as recorded in the cash blotter. He then prepares a deposit slip for the total day's receipts, and places funds and deposit slip in an envelope, seals it and places it in a metal lockbox in a safe of which he is sole custodian. The deposit remains in that safe overnight and is deposited the following morning by Mr. ██████████, Chief, Benefits and Services Division, Office of Personnel.

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b. P.S.A.S. and Other Campaign Funds:

- (1) Contributions to charities other than U.G.F. are collected in various Agency components and sent to the Charities Unit in a variety of manners and

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forms. Individual contributions cannot be checked with component keymen or chairmen. Receipts are not issued for funds received. Envelopes are opened by a designated employee. Cash is counted and entered in the appropriate cash blotter.

- (2) At the end of each day funds are turned over to the cash custodian who re-counts the funds and verifies the total to the cash blotter.
- (3) The cash custodian combines funds received from all charitable drives for a given day into a single deposit.
- (4) Because receipt of funds cannot be verified by reference to independent pledge and payments records, we recommend that two persons open and count such funds received in the Charities Unit.

3. Review of Cash Storage and Deposit Procedures

- a. The present cash custodian had the safe combination changed immediately prior to the beginning of the current U.G.Y. drive. He alone knows the combination.
- b. The safe is located on the second floor of a classified area of Curie Hall. Windows in the room are not barred, nor is access to the safe restricted from persons having entry to the classified area of the building. During business hours the custodian locks this safe when he is absent from the room.
- c. Last year's records indicated that bank deposits were not made daily, and that large sums of cash and checks accumulated. It is understood by the undersigned that the cash custodian had personally made bank deposits and it appears that possibly the press of business and the staffing of the unit had made daily deposits difficult.
- d. Because the facilities for storage of funds were not adequate for large sums of money, and foreseeing some problem in the custodian making daily deposits, the assistance of the Monetary Branch of Finance Division was requested to store funds overnight and to accomplish deposits on behalf of the Charities Unit.
- e. The first deposit (a small one) was duly made by Monetary Branch. The second deposit tendered to the Branch consisted of a large number of personal

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checks which were from employees under a variety of covers and a number from employees who are associated with the Agency publicly. Monetary Branch considered that the deposit of all these checks to a single bank account might be contrary to good security practice and asked that the Office of Personnel confirm to it that the practice had been authorized by the Office of Security.

f. The Office of Personnel could not answer immediately and the Monetary Branch was advised by the undersigned to withhold depositing until confirmation was received from the Office of Personnel.

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h. We have not yet been advised that the Office of Security has reviewed or approved the deposit procedure. In view of the special treatment given personnel check transactions in other areas of the Agency to prevent disclosure of Agency personnel strength and identities, we urge that this question be resolved at once.

i. The deposit procedure initiated by the Office of Personnel immediately after discontinuance of deposits by Monetary Branch was as follows:

- (1) The funds custodian in the Charities Unit prepared the day's receipts at the close of business for deposit the following morning.
- (2) In the morning he delivered the deposit to a member of the Benefits and Services Division staff, who counted the funds and then passed them to the Chief of the Division who made the deposit.
- (3) No receipt was issued or received by parties in this transaction. The deposit slip from the bank, returned to the cash custodian the day of deposit, confirmed to him that the deposit had been made.

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- j. Circumstances, which are the subject of a separate memorandum, caused the deposit procedure to be again changed on or about 27 October 1960, to permit funds to pass directly from the Charities Unit cash custodian to the Chief, Benefits and Services Division for deposit. We were verbally advised that no receipt is being passed at present between parties to the transaction.
- k. In a telephone conversation with the Director of Personnel on 31 October 1960, the undersigned advised the Director that in his opinion a receipt should be given by the Chief, Benefits and Services Division for funds received by him from the Charities Unit custodian. The Director of Personnel stated that a locked container would be procured from the bank in which charity funds would be transported for deposit. One key would be given the Charities Unit cash custodian and the teller at the bank would hold the other key, the deposit being locked in transit.
- l. This method attempts to relieve the courier of responsibility for funds in his possession by physically denying him access to them. In the event of a discrepancy between cash custodian and bank, however, the assumption that the funds were inaccessible to the courier while in transit could not be accepted as an absolute fact and probably could not be proven as such. The lockbox method does not appear to define and narrow responsibility as does counting and receipting for funds when they pass from one person to another.
- m. It is our recommendation that funds be counted and a receipt be issued by the recipient each time the possession of funds are transferred from one person to another.

4. Miscellaneous Procedures

The charities unit supervisor is presently cash custodian, does a substantial portion of the bookkeeping, receives bank statements, and performs bank reconciliations. Although we would prefer a division of duties which would provide better internal control, we must consider that aside from the supervisor, the unit is staffed with youngsters from the personnel pool, and that individual abilities and experience must determine individual duties if the unit is to get its job done. We can, however, improve internal control to an extent by providing that

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a qualified, disinterested party receive bank statements and make bank reconciliations and recommend that this be accomplished by arranging for this to be done by a member of the Audit Staff.

5. Administration of Unpaid Pledges

- a. In discussion with the Director of Personnel, he indicated a need for more effective administration of unpaid U.G.P. pledges balances after the closing of the regular campaign for funds. He asked our cooperation in determining a suitable procedure, suggesting that centralized administration would probably be necessary.
- b. The procedure recommended below for adoption was worked out with Messrs. [REDACTED] of the Office of Personnel:

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- (1) Under the revised accounting system the balance in the general ledger account "Pledges Due from Employees - U.G.P." is supported by the balances of unpaid pledges by Agency component, recorded in the component subsidiary ledger. These balances, are in turn, supported by individual installment pledge records, Form 104-C, maintained by component keymen.
- (2) As of a given date, the Charities Unit would advise each keyman of the unpaid balance of pledges for his component. The keyman would verify that unpaid balances on his Form 104-C are in agreement with the Charities Unit total. Upon verification, the keyman would send all Forms 104-C to the Charities Unit which would assume responsibility for collection.
- (3) In the Charities Unit, Forms 104-C received from keymen would be filed and postings made to them as collections are made.
- (4) Appropriate internal procedures for the administration of unpaid pledges would be developed by the Office of Personnel.

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Member, Technical Accounting Staff